



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CALLOWAY COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Larry Elkins, County Judge/Executive
Honorable J. D. Williams, Former County Judge/Executive
Members of the Calloway County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Calloway County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Calloway County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Calloway County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Calloway County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1998, in conformity with the cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Larry Elkins, County Judge/Executive
Honorable J. D. Williams, Former County Judge/Executive
Members of the Calloway County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Calloway County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying Comments and Recommendations, included herein, which discusses the following areas of noncompliance:

- The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$227,098 As Collateral and Entered Into A Written Agreement To Protect Deposits
- The Fiscal Court Should Follow Proper Bidding Procedures
- All Claims Should Be Presented To The Fiscal Court For Review Prior To Payment

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 1999, on our consideration of Calloway County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 15, 1999

CALLOWAY COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

J. D. Williams	County Judge/Executive
David Harrington	County Attorney
Ray Coursey, Jr.	County Clerk
Ann Wilson	Circuit Court Clerk
Stan Scott	Sheriff
Pat M. Paschall	Jailer
Ronnie Jackson	Property Valuation Administrator
Sue Outland	County Treasurer
Dwaine Jones	Coroner
Clyde Hale	Magistrate
Steve Lax	Magistrate
Dan Miller	Magistrate
Bobby Stubblefield	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

CALLOWAY COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets and Other Resources

Assets

General Fund:

Cash	\$ 368,727
------	------------

Road and Bridge Fund:

Cash	3,973
------	-------

Jail Fund:

Cash	52,252
------	--------

Jail Commissary Fund:

Cash	13,751
------	--------

Local Government Economic Assistance Fund:

Cash	7,780
------	-------

Jail Grant Fund:

Cash	158,689
------	---------

Jail Construction Fund:

Cash	172,380
------	---------

Public Properties Corporation Fund:

Cash	1,177,636
------	-----------

Other Resources

Public Properties Corporation Fund:

Amounts to be Provided in Future Years for Bond Principal Payments	<u>8,850,000</u>
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Total Assets and Other Resources

	<u><u>\$ 10,805,188</u></u>
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CALLOWAY COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 1998
 (Continued)

Liabilities and Fund Balances

Liabilities

Public Properties Corporation Fund:

Bonds Not Matured (Note 4)	\$ 8,850,000
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Fund Balances

Reserved:

Jail Commissary Fund	13,751
Jail Grant Fund	158,689
Jail Construction Fund	172,380
Public Properties Corporation Fund	1,177,636

Unreserved:

General Fund	368,727
Road and Bridge Fund	3,973
Jail Fund	52,252
Local Government Economic Assistance Fund	<u>7,780</u>

Total Liabilities and Fund Balances

\$ 10,805,188

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CALLOWAY COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

<u>Cash Receipts</u>	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Schedule of Operating Revenue	\$ 4,787,685	\$ 2,038,804	\$ 1,134,248	\$ 611,101
Transfers In	1,425,844		575,000	515,500
Kentucky State Treasurer -				
Administrative Office of the Courts	54,866			
Public Properties Corporation Interest	171,585			
Jail Commissary Fund Receipts	99,707			
Total Cash Receipts	<u>\$ 6,539,687</u>	<u>\$ 2,038,804</u>	<u>\$ 1,709,248</u>	<u>\$ 1,126,601</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 4,383,109	\$ 1,531,092	\$ 1,760,914	\$ 1,079,696
Transfers Out	1,425,844	635,000		
Detention Center Construction	11,500			
Court Annex Facility Construction	2,612,151			
Bonds:				
Principal Paid	115,000			
Interest Paid	486,892			
Jail Commissary Fund Expenditures	89,563			
Total Cash Disbursements	<u>\$ 9,124,059</u>	<u>\$ 2,166,092</u>	<u>\$ 1,760,914</u>	<u>\$ 1,079,696</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (2,584,372)	\$ (127,288)	\$ (51,666)	\$ 46,905
Cash Balance - July 1, 1997	<u>4,539,560</u>	<u>496,015</u>	<u>55,639</u>	<u>5,347</u>
Cash Balance - June 30, 1998	<u>\$ 1,955,188</u>	<u>\$ 368,727</u>	<u>\$ 3,973</u>	<u>\$ 52,252</u>

The accompanying notes are an integral part of the financial statements.

CALLOWAY COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 1998
(Continued)

Jail Commissary Fund	Local Government Economic Assistance Fund	Jail Grant Fund	Jail Construction Fund	Public Properties Corporation Fund
\$	\$ 18,337	\$ 158,689	\$ 826,506	\$ 335,344
				54,866
				171,585
99,707				
\$ 99,707	\$ 18,337	\$ 158,689	\$ 826,506	\$ 561,795
\$	\$ 10,557	\$	\$ 850	\$
			790,844	
				11,500
				2,612,151
				115,000
				486,892
89,563				
\$ 89,563	\$ 10,557	\$ 0	\$ 791,694	\$ 3,225,543
\$ 10,144	\$ 7,780	\$ 158,689	\$ 34,812	\$ (2,663,748)
3,607	0	0	137,568	3,841,384
\$ 13,751	\$ 7,780	\$ 158,689	\$ 172,380	\$ 1,177,636

CALLOWAY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Calloway County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Jail Commissary Fund and the Public Properties Corporation Fund as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Calloway County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk, investments exclude certificates of deposit.

CALLOWAY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. As of June 30, 1998, the bank balances were fully insured or collateralized with securities held by the county's agent in the county's name. However, as of March 13, 1998, the uncollateralized amount on deposit was \$227,098. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit. In addition, the county did not have a written agreement with the depository institution.

CALLOWAY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1998
 (Continued)

Note 3. Deposits (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 1998.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	\$ 527,180
Uncollateralized and uninsured	<u>0</u>
Total	<u><u>\$ 527,180</u></u>

Note 4. Long-Term Debt

On November 14, 1996, the county authorized the Public Properties Corporation to issue up to \$4,670,000 of Revenue Bonds, Series 1996. These bonds were issued to retire Revenue Bond Anticipation Notes, Series 1995, dated July 1, 1995 and provide long-term financing for the County Detention Center Facilities.

Bonds outstanding of the Public Properties Corporation Fund are:

County Detention Center Facilities:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
1998-1999	\$ 140,000	\$ 230,360
1999-2000	150,000	223,080
2000-2001	155,000	215,280
2001-2002	165,000	207,220
2002-Thereafter	<u>3,820,000</u>	<u>1,774,240</u>
Totals	<u><u>\$ 4,430,000</u></u>	<u><u>\$ 2,650,180</u></u>

CALLOWAY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1998
 (Continued)

Note 4. Long-Term Debt (Continued)

On March 13, 1997, the county authorized the Public Properties Corporation to issue up to \$4,640,000 of Revenue Bonds, Series 1997, to provide funding for the construction and equipment for the Court Annex Facility.

Court Annex Facilities:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
1998-1999	\$ 135,000	\$ 230,857
1999-2000	140,000	224,445
2000-2001	145,000	217,795
2001-2002	150,000	210,908
2002-Thereafter	<u>3,850,000</u>	<u>2,009,649</u>
Totals	<u>\$ 4,420,000</u>	<u>\$ 2,893,654</u>

The total amount of bonds outstanding as of June 30, 1998, was \$8,850,000.

Note 5. Lease-Purchase Agreement

The county has entered into the following lease-purchase agreement:

Liabilities of the Road and Bridge Fund are:

<u>Description</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
Rosco Maximizer	3/24/97	3/24/99	5.58%	\$ 24,460

CALLOWAY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1998
 (Continued)

Note 6. Commitments and Contingencies

The City of Murray and Calloway County are participating in a one-year lease with the Murray-Calloway County Public Hospital Corporation for expansion of the Murray-Calloway County Hospital, and to refinance certain obligations of the hospital's nursing home. The City of Murray and Calloway County sublease the hospital and nursing home to the Murray-Calloway County Public Hospital Corporation for yearly rental payments equal to the annual requirements of the \$6,675,000 of mortgage bonds originally issued for the hospital and nursing home project in June 1992. The lease between the Corporation and the City of Murray and Calloway County is renewable annually. In case of default by the Corporation, the City and County are each liable for fifty percent of the bond debt requirement. If the City is unable to provide its share of the bond debt requirement, the County is then responsible for the full amount for that year. Debt requirements for fiscal year ending June 30, 1999 are as follows:

	<u>Bonds</u>	<u>Interest</u>
July 1, 1998	\$ 75,000	\$ 197,890
January 1, 1999		\$ 195,015

Note 7. Insurance

For the fiscal year ended June 30, 1998, Calloway County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Adjustment to Prior Year Fund Balances

The beginning balance of the Public Properties Corporation Fund was adjusted by \$17,987 to reflect the correct fund balance as of June 30, 1997. The beginning balance of the Jail Commissary Fund was adjusted for \$201 of outstanding checks not included in the prior year fund balance.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

CALLOWAY COUNTY
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 2,150,122	\$ 2,038,804	\$ (111,318)
Road and Bridge Fund	1,845,281	1,134,248	(711,033)
Jail Fund	1,119,952	611,101	(508,851)
Local Government Economic Assistance Fund	10,261	18,337	8,076
Jail Grant Fund	161,065	158,689	(2,376)
Jail Construction Fund	<u>203,779</u>	<u>826,506</u>	<u>622,727</u>
Total	<u>\$ 5,490,460</u>	<u>\$ 4,787,685</u>	<u>\$ (702,775)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 5,490,460
Add: Budgeted Prior Year Surplus			<u>694,569</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 6,185,029</u>

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SCHEDULE OF OPERATING REVENUE

CALLOWAY COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<hr/>				
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 1,766,445	\$ 1,069,432	\$	\$
Excess Fees - 1997	8,871	8,871		
Excess Fees - 1996	7,028	7,028		
County Clerk:				
Deed Transfer Tax	70,554	70,554		
Occupational Licenses	254	254		
Delinquent Taxes	11,753	11,753		
Excess Fees - 1997	259,697	259,697		
Tangible Personal Property Taxes:				
Other Counties	14,840	8,229		
County Clerk	324,046	205,608		
Omitted Taxes	9,074	9,074		
In Lieu of Taxes:				
Tennessee Valley Authority	50,741	50,741		
US Treasurer	3,839	3,839		
Cities	1,558	1,558		
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 2,528,700	\$ 1,706,638	\$ 0	\$ 0

Federal Receipts - State Treasurer

Disaster and Emergency Assistance				
Grant - Coordinator Salary	\$ 1,497	\$ 1,497	\$	\$
Justice Cabinet Grant - Sheriff	5,582	5,582		
Disaster and Emergency Assistance				
Grant - 1997 Flood Relief	58,610		58,610	
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 65,689	\$ 7,079	\$ 58,610	\$ 0

CALLOWAY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local		
Government		
Economic	Jail	Jail
Assistance	Grant	Construction
Fund	Fund	Fund

\$	\$	\$ 697,013
----	----	------------

6,611
 118,438

\$ 0	\$ 0	\$ 822,062
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\$	\$	\$
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\$ 0	\$ 0	\$ 0
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CALLOWAY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 76,219	\$	\$	\$ 76,219
Medical Allotments	6,375			6,375
Driving Under The Influence Fees	7,405			7,405
Housing State Prisoners	166,519			166,519
Court Costs, Jail Operation	10,825			10,825
Jail Contract with Other Counties	12,009			12,009
State Class D Felons	282,370			282,370
County Road Aid	781,131		781,131	
Truck License Distribution	151,651		151,651	
Election Expense Reimbursement	6,630	6,630		
Courthouse Rental - Administrative				
Office of the Courts	64,980	64,980		
Refunds:				
Legal Process Tax	198	198		
Drivers Licenses	3,367	72	3,295	
State Reimbursement	81,898		81,898	
Severance Taxes:				
Coal	13,281			
Mineral	5,056			
Board of Assessments	450	450		
Grants:				
Disaster and Emergency Services				
Reimbursement	722	722		
Microfilming	3,091	3,091		
Jail Construction	153,065			
Totals	\$ 1,827,242	\$ 76,143	\$ 1,017,975	\$ 561,722

CALLOWAY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local		
Government		
Economic	Jail	Jail
Assistance	Grant	Construction
<u>Fund</u>	<u>Fund</u>	<u>Fund</u>

\$	\$	\$
----	----	----

13,281
 5,056

	153,065	
<u>\$ 18,337</u>	<u>\$ 153,065</u>	<u>\$ 0</u>

CALLOWAY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u>				
Interest	\$ 44,114	\$ 25,125	\$ 8,921	\$
Circuit Court Clerk:				
Work Release	32,274			32,274
Jail Bonds	1,135			1,135
County Attorney:				
Restitution - Returned Checks	14,600	14,600		
Licenses and Permits:				
Cable TV Franchise	30,859	30,859		
Charges for Services:				
Animal Shelter	8,648	8,648		
Worker's Compensation Dividend	20,067	20,067		
Rent Income	3,600	3,600		
Reimbursements:				
Employee Insurance	25,891	25,891		
Medical Expenses	4,550			4,550
T-Shirts	1,181			1,181
Jail Commissary	628			628
Insurance Claims	11,322	11,322		
E911 Expense Reimbursements	24,698	24,698		
Sale of Road Materials	42,110		42,110	
Sheriff's Reimbursement	40,000	40,000		
Other Reimbursements	26,021	18,471	148	7,402
Miscellaneous Items	34,356	25,663	6,484	2,209
Totals	\$ 366,054	\$ 248,944	\$ 57,663	\$ 49,379
Total Operating Revenue	\$ 4,787,685	\$ 2,038,804	\$ 1,134,248	\$ 611,101

CALLOWAY COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local		
Government		
Economic	Jail	Jail
Assistance	Grant	Construction
Fund	Fund	Fund

\$	\$ 5,624	\$ 4,444
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\$ 0	\$ 5,624	\$ 4,444
\$ 18,337	\$ 158,689	\$ 826,506

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

CALLOWAY COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 48,321	\$ 48,321	\$
Other Salaries	22,796	22,796	
Office Materials and Supplies	2,510	2,510	
Office of County Attorney:			
Salaries-			
County Attorney	13,458	13,458	
Secretary	17,600	16,907	693
Clerk	2,774	2,774	
Child Support Reimbursement	9,305	9,084	221
Office of County Clerk:			
Tax Bill Preparation	15,965	15,965	
Office Materials and Supplies	54,126	54,126	
Office of Sheriff:			
Dispatch Service	88,888	88,888	
Materials and Supplies	45,182	45,182	
Reimbursement	76,312	76,312	
Legal Fees	2,695	2,398	297
Transport	17,801	17,801	
Office of County Coroner:			
Salaries-			
County Coroner	7,439	7,439	
Deputy Coroner	2,394	2,394	
Program Support	4,872	4,608	264
Fiscal Court:			
Magistrates -			
Salaries	44,158	44,158	
Expense Allowance	14,400	14,400	
Advertising	17,872	17,872	

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Fiscal Court (Continued):			
Registration, Conference and Training	\$ 2,000	\$ 1,913	\$ 87
Accounting Services	1,000		1,000
Office of Property Valuation Administrator:			
Statutory Contribution	46,713	46,713	
Office of Board of Assessment Appeals:			
Board and Committee Members Fees	1,300	900	400
Office of County Treasurer:			
Salaries-			
County Treasurer	34,760	34,760	
Assistant County Treasurer	21,084	21,084	
Office Materials and Supplies	2,000	1,985	15
Elections:			
Per Diem-			
Election Commissioners	1,200	1,200	
Election Officers	16,500	16,233	267
Election Tabulators	1,080	1,080	
Other Per Diem and Fees	140	140	
Polling Places	915	915	
Printing, Stationery, and Forms	33,503	33,503	
Program Support	58	58	
Economic Development:			
Chamber of Commerce	1,500	1,500	
Courthouse:			
Janitor Salary	19,383	17,945	1,438
Temporary/Part-Time Help	12,768	12,768	
Janitorial Services	12,646	12,646	
Custodial Supplies	3,800	3,765	35
Building Maintenance Supplies	5,346	5,346	

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Courthouse (County):			
Maintenance and Repair-			
Equipment	\$ 2,000	\$ 1,861	\$ 139
Elevator Maintenance	2,627	2,627	
Renewals and Repairs	20,692	20,692	
Utilities	63,209	63,209	
Other County Properties:			
Dexter Community Center	2,026	2,026	
Hazel Community Center	500	500	
Annex Building:			
Salaries-			
Custodial Personnel	18,576	18,576	
Other Materials and Supplies	8,404	8,404	
Renewals And Repairs	1,780	1,780	
Utilities	16,000	14,280	1,720
<u>Protection to Persons and Property</u>			
Disaster and Emergency Services:			
Director Salary	4,868	4,868	
Office Materials and Supplies	832	832	
Program Support	500	37	463
Forest Fire Protection:			
Program Support	1,566	1,566	
Office of the Public Defender:			
Mandated Program Support	4,049	4,050	(1)
General Health and Sanitation:			
Program Support	43,629	43,629	
Building Maintenance Supplies	24,597	24,308	289
Utilities	3,821	3,821	

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Protection to Persons and Property (Continued)</u>			
Mental Health/Mental Retardation:			
Contributions	\$ 5,000	\$ 5,000	\$
<u>Social Services</u>			
Services to Indigents:			
General Welfare	7,500	7,500	
Senior Citizens Program:			
Program Support	3,500	3,500	
Services to Children and Youth:			
Program Support	4,600	4,600	
General Charity and Welfare:			
Pauper Welfare	1,459	1,459	
Other Social Service Programs:			
Alcohol and Drug Program -			
Salaries and Wages	8,821	8,821	
Rape Center -			
Program Support	1,000	1,000	
<u>Recreation and Culture</u>			
Parks:			
Program Support	80,000	79,999	1
Celebrations, Festivals and			
Cultural Programs:			
Contributions	2,000	2,000	
Other Cultural Programs:			
Contributions	1,500	1,500	

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Capital Projects</u>			
Airport:			
Capital Outlay	\$ 28,500	\$ 28,500	\$
Other Capital Projects:			
Consultants Services - 911	19,385	19,385	
Program Support	5,028	5,028	
Land	4,000	4,000	
Office Equipment	2,112	2,112	
Rescue Vehicle	5,000	5,000	
Mattel Plant Grant	1,000,000		1,000,000
<u>Administration</u>			
General Services:			
Audit Services	24,170	24,170	
Contracts with Government Agencies-			
Health Insurance	40,593	40,373	220
Murray/Calloway County Transit	6,000	6,000	
Bank Charges	250	154	96
Insurance -			
Buildings	111,831	111,831	
Bonds	5,979	5,979	
Memberships -			
Area Development District	3,400	3,368	32
Kentucky Association of Counties	1,100	1,100	
Other	2,000	1,244	756
Contingent Appropriations:			
Reserve for Transfers	97,955		97,955
Fringe Benefits:			
County Contributions-			
Social Security	81,520	76,466	5,054
Retirement	84,255	84,255	
Unemployment Insurance	7,899	5,578	2,321
Worker's Compensation	53,540	52,257	1,283
Total General Fund	\$ 2,646,137	\$ 1,531,092	\$ 1,115,045

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u>			
<u>General Government</u>			
<u>Roads</u>			
Office of Road Supervisor/Engineer:			
Road Supervisor Salary	\$ 25,818	\$ 25,818	\$
Road Maintenance:			
Road Labor Salaries	470,315	452,715	17,600
Contracted Construction -			
Bridges	86,200	86,189	11
Contracts with Private Agencies -			
Storage Tank Removal	84,611	84,610	1
Program Support	17,431	17,431	
Crushed Stone and Gravel	229,022	221,207	7,815
Machinery and Equipment	36,017	32,736	3,281
Motor Vehicle Parts	108,114	101,301	6,813
Office Supplies	1,000	461	539
Road Maintenance Materials	480,736	392,151	88,585
Petroleum Products	108,357	108,076	281
Pipe and Concrete	73,587	73,578	9
Utilities	13,500	12,022	1,478
<u>Debt Service</u>			
Leases:			
Lease-Purchases	71,200	71,107	93
<u>Administration</u>			
General Services:			
Bank Charges	50		50

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>Administration (Continued)</u>			
Fringe Benefits:			
County Contributions-			
Social Security	\$ 40,021	\$ 34,965	\$ 5,056
Retirement	39,941	31,547	8,394
Unemployment Insurance	15,000	15,000	
Total Road and Bridge Fund	<u>\$ 1,900,920</u>	<u>\$ 1,760,914</u>	<u>\$ 140,006</u>

JAIL FUND

Protection to Persons and Property

Office of Jailer:

Personnel Services-

Salaries-

Jailer	\$ 48,321	\$ 48,321	\$
Jail Personnel	378,520	374,054	4,466
Administrative Personnel	42,747	42,716	31
Food Service Personnel	57,354	57,354	
Part-Time Personnel	28,154	19,547	8,607
Overtime Pay	1		1

Operations-

Cleaning Supplies	25,200	25,161	39
Food	124,000	115,850	8,150
Food Preparation and Serving Supplies	3,962	3,203	759
Jail Linens	7,428	1,452	5,976
Office Supplies	16,181	15,834	347
Prisoner Clothing	6,000	3,750	2,250
Prisoner Hygiene	5,000	3,637	1,363
Routine Medical	103,729	103,047	682
Staff Uniforms	4,407	4,407	
Staff Travel and Training	3,980	3,708	272
Utilities	55,000	52,906	2,094
Telephone	8,000	7,537	463
Pest Control	1,000	825	175
Transporting Prisoners to Other Counties	7,000	6,450	550

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND (Continued)</u>			
<u>Protection to Persons and Property</u> (Continued)			
Office of Jailer: (Continued)			
Operations- (Continued)			
Housing Prisoners - Other Counties	\$ 72,241	\$ 72,094	\$ 147
Miscellaneous Operating Expense	15,853	15,177	676
Maintenance-			
Equipment Repairs	5,467	5,467	
Equipment	6,375	6,375	
<u>Administration</u>			
General Services:			
Association Dues	500	500	
Liability Insurance	5,011	5,011	
Contingent Appropriations:			
Reserve for Budget Transfers	732		732
Fringe Benefits:			
County Contributions-			
Social Security	42,396	39,092	3,304
Retirement	46,624	44,278	2,346
Unemployment Insurance	4,116	1,943	2,173
Total Jail Fund	<u>\$ 1,125,299</u>	<u>\$ 1,079,696</u>	<u>\$ 45,603</u>
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
Streets and Highways	<u>\$ 10,261</u>	<u>\$ 10,557</u>	<u>\$ (296)</u>
<u>JAIL GRANT FUND</u>			
<u>Debt Service:</u>			
Capital Project	<u>\$ 161,065</u>	<u>\$ 0</u>	<u>\$ 161,065</u>

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL CONSTRUCTION FUND</u>			
<u>Debt Service:</u>			
Bond Principal Payment	\$ 115,000	\$	\$ 115,000
Bond Interest Payment	226,347		226,347
Trustee Fees		850	(850)
Total Jail Construction Fund	<u>\$ 341,347</u>	<u>\$ 850</u>	<u>\$ 340,497</u>
Total Operating Budget - All Funds	\$ 6,185,029	\$ 4,383,109	\$ 1,801,920
Other Financing Uses:			
Transfers to Public Properties Corporation Fund		335,344	(335,344)
TOTAL BUDGET - ALL FUNDS	<u>\$ 6,185,029</u>	<u>\$ 4,718,453</u>	<u>\$ 1,466,576</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Larry Elkins, County Judge/Executive
Honorable J. D. Williams, Former County Judge/Executive
Members of the Calloway County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Calloway County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated June 15, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Calloway County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying Comments and Recommendations.

- The Fiscal Court Should Follow Proper Bidding Procedures

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Calloway County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Calloway County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

- All Claims Should Be Presented To The Fiscal Court For Review Prior To Payment

Honorable Larry Elkins, County Judge/Executive
Honorable J. D. Williams, Former County Judge/Executive
Members of the Calloway County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

In planning and performing our audit, we considered Calloway County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 15, 1999

COMMENTS AND RECOMMENDATIONS

CALLOWAY COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1998

NONCOMPLIANCES

- 1) The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$227,098 As Collateral And Entered Into A Written Agreement To Protect Deposits

The county's deposits were not adequately secured by \$227,098 as of March 13, 1998. Under provisions of KRS 66.480(1)(d) and KRS 41.240(4), banks are required to provide pledges of securities for interest-bearing and noninterest-bearing deposits if either exceeds the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation. The county should require the depository institution to pledge sufficient securities as collateral to insure deposits at all times. We also recommend the county enter into a written agreement with the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Management's Response:

We are contacting our banking institutions to be sure pledges of securities are adequate to insure all deposits at all times. We now have a signed collateral agreement with depository institutions.

- 2) The Fiscal Court Should Follow Proper Bidding Procedures

The auditor was unable to find documentation that expenditures of \$23,500 for the removal of a bridge were properly bid. KRS 424.260 and the County's Administrative Code states that, for a purchase which exceeds \$10,000, the fiscal court must set any evaluation factors to be considered in the bid section. The County Judge/Executive shall place an appropriate advertisement in the newspaper and shall open all bids publicly at the time and place stated in the advertisement. The fiscal court shall select the lowest and best bid by a qualified bidder. The clerk of the fiscal court shall notify all accepted bidders of the award. We recommend the fiscal court follow the bid procedures stated in KRS 424.260 and the County's Administrative Code.

Management's Response:

The bridge on Tobacco Rd. was quoted at \$82,000, which included the cost of the removal of the old bridge. There was additional work for a cost of approximately \$4,000 over quote for unanticipated problem, and since we were already involved and the additional cost did not exceed \$10,000 we did not deem it necessary to bid the emergency project for removal of the bridge.

CALLOWAY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 1998
(Continued)

3) All Claims Should Be Presented To The Fiscal Court For Review Prior To Payment

Based on the test of expenditures, the payments from the Public Properties Corporation were not approved prior to payment by the fiscal court, which is the Public Properties Corporation Board. We found during our test that \$271,296 was expended from the Public Properties Corporation Fund without approval of the fiscal court. KRS 68.275 requires the county judge/executive to present all claims to the fiscal court for review prior to payment. We recommend that the fiscal court review all claims prior to payment.

Management's Response:

The architectural firm of Architecture Plus received the bills for construction and reviewed them as to their authenticity, forwarded to county judge/executive for signature as specified in minutes of the Public Prop. Corp., and then were forwarded to trustee of the indenture for payment. There was a blanket order to pay rock hauling upon presentation of bills for payment. Other bills were approved during the month of payment at the ensuing court meeting. In the future bills will receive court approval before payment.

CERTIFICATION OF COMPLIANCE –
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CALLOWAY COUNTY FISCAL COURT

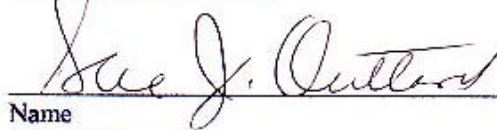
Fiscal Year Ended June 30, 1998

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CALLOWAY COUNTY FISCAL COURT

The Calloway County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer